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COSSETTE COMMUNICATION GROUP INC. Roundup O2 ANNUAL REPORT



HIGHLIGHTS

The following data, whether pro forma or actual, has been extracted from the company's consolidated financial statements. The pro forma financial information gives effect to a corporate reorganization whereby the company was transformed into a corporation (from a limited partnership) and acquired all the shares held by the non-controlling shareholders in the share capital of its subsidiaries in exchange for subordinate voting shares.

Years ended September 30

(in thousands of dollars, except the number of shares and per share data)*

	CHANGE (%)	ACTUAL	ACTUAL	ACTUAL	PRO FORMA
			2001	2000	1999
	2001-2002	2002			
Billings		746,829	600,760	455,481	391,686
Gross income⁽¹⁾	19.0	157,665	132,498	109,910	94,094
Salaries and employee benefits		90,987	79,393	63,521	52,927
General and administrative expenses		40,873	33,036	28,915	26,374
EBITDA (before long-lived asset impairment)	28.6	25,805	20,069	17,474	14,793
Long-lived asset impairment		2,431	-	-	-
EBITDA	16.5	23,374	20,069	17,474	14,793
Net earnings	9.1	12,371	11,335	10,299	8,264
Cash flow from operations	32.4	18,065	13,649	11,494	8,803
Cash and cash equivalents		24,079	12,233	2,457	16,490
Short-term investments		6,955	6,012	26,907	15,053
Bank advances and current portion of long-term debt		748	656	10,692	1,142
Working capital		69,388	56,034	58,987	56,650
Goodwill, intangible assets and deferred charges		16,154	15,208	3,486	1,900
Long-term debt		1,304	1,411	1,183	1,037
Total assets		208,386	199,835	168,913	132,430
Shareholders' equity	15.0	98,813	85,921	71,540	60,891
PER SHARE					
Earnings before amortization of goodwill					
Basic	7.9	0.68	0.63	0.56	0.52
Diluted	8.1	0.67	0.62	0.56	0.52
Net earnings					
Basic	8.2	0.66	0.61	0.56	0.52
Diluted	8.3	0.65	0.60	0.55	0.52
Cash flow from operations	31.5	0.96	0.73	0.62	0.55
Weighted average number of shares outstanding (in thousands) ⁽²⁾		18,781	18,605	18,538	15,919
OTHER DATA (UNAUDITED)⁽³⁾					
Net earnings (excluding the after-tax impact of long-lived asset impairment)		22.3	13,864	11,335	10,299
Earnings per share (excluding the after-tax impact of long-lived asset impairment)					
Basic	21.3	0.74	0.61	0.56	0.52
Diluted	21.7	0.73	0.60	0.55	0.52

* All amounts mentioned in this report are in Canadian dollars, unless otherwise stated.

1) Gross income comprises client fees billed by the company and commissions related to media buying and advertising production services. Not included in gross income is the net cost of media space purchased on behalf of an advertiser, as well as all services purchased for resale.

2) Shares include subordinate voting shares listed on the Toronto Stock Exchange (under the ticker symbol KOS) and multiple voting shares, which are not publicly traded. As of September 30, 2002, there were 9,316,115 subordinate voting shares and 9,493,928 multiple voting shares outstanding, for a total of 18,810,043 shares. See note 10 of the Consolidated Financial Statements for more information.

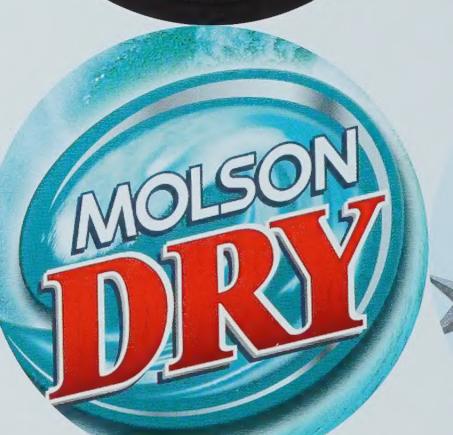
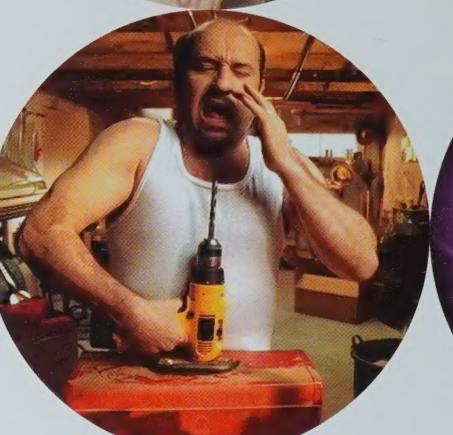
3) This information may not be comparable to similarly titled measures reported by other companies as it is non-GAAP information.

(in millions of dollars)

	GROSS INCOME	EBITDA AND EBITDA MARGIN (before long-lived asset impairment)	CASH FLOW FROM OPERATIONS	NET EARNINGS AND NET MARGIN (before long-lived asset impairment)
2002	\$157.7	\$25.8	16.4%	\$18.1
2001	132.5	20.1	15.1%	13.6
2000	109.9	17.5	15.9%	11.5
1999	94.1	14.8	15.7%	8.8

Founded in 1972, the Cossette Communication Group is a Canadian company offering a full range of integrated communication and marketing services across North America through its different business units and offices. The Company went public in 1999 and its shares are traded on the Toronto Stock exchange (TSX) under the ticker symbol KOS.

Despite particularly challenging market conditions, 2002 was a good year for the Cossette Communication Group. Our strong results not only reflect the soundness of our Convergent Communication™ approach, but they also speak to our entrepreneurial spirit and, most importantly, our lasting concern for the success of our clients, with whom we collaborated very closely this past fiscal year. ~ With them and for them, we have continued to develop increasingly efficient solutions to their communication challenges. With this purpose in mind, we created Nucleus, a new business unit that will take convergence to the next level. Furthermore, we have offered our employees – our most precious resource – a professional development program designed to help them polish their personal and professional skills so that they, in turn, can award all our clients with top-quality strategic planning, creative and production services, no matter where they are located. ~ Growth remains our objective: we intend to pursue this goal through business development and acquisitions. In this climate of economic uncertainty, we will continue to exercise caution just as we did last year. Our disciplined approach remains the best guarantor of our success and, of course, that of our clients.



Full Circle

A STRATEGIC NETWORK The Cossette Communication Group includes approximately 1,300 employees serving some 400 clients from various business sectors operating on the local, regional, national and international levels. In addition to its head office in Québec City, the Company has offices in Montréal, Toronto, Vancouver, Halifax, New York, Winnipeg and Edmonton.

~ Always focused on client needs, Cossette remains on the cutting edge by consistently developing new approaches to communication and marketing challenges, innovations which have made the company a true leader in the industry. All the organization's offices have the ability to deliver the full range of Cossette's service offering, as required by each client.

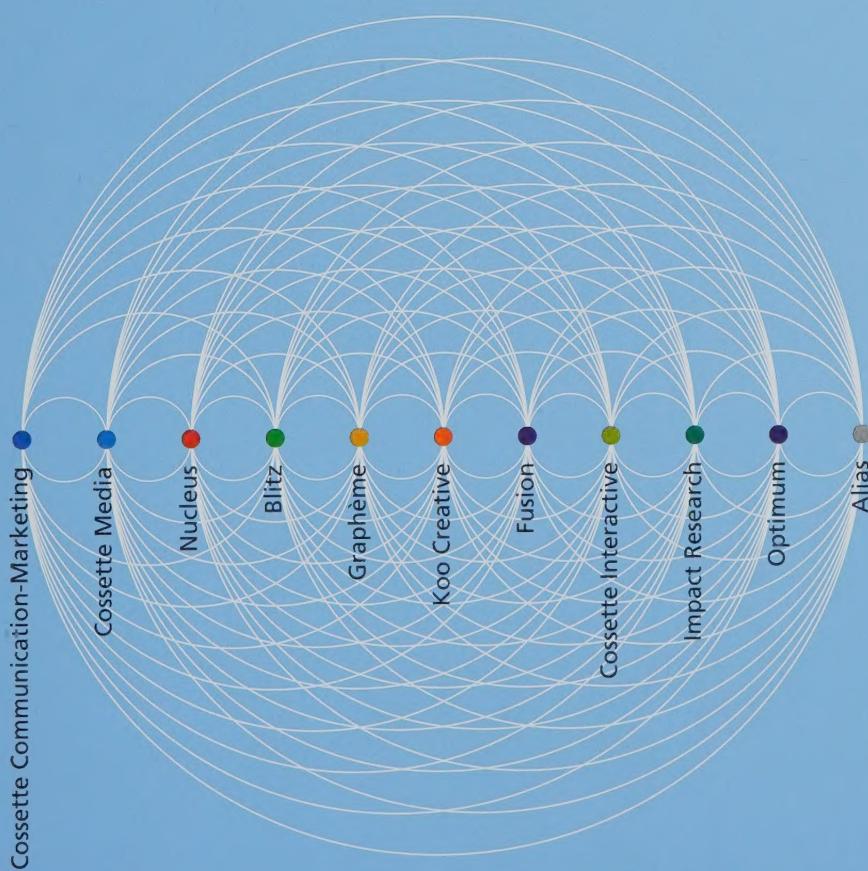




Well Rounded

CONVERGENT COMMUNICATION™ Cossette distinguishes itself by its unique approach: Convergent Communication™, which calls for all or several communication disciplines to work closely together, thereby generating synergies throughout the creative process, from the initial strategic planning stage to the project's completion.

- Strategic planning (Nucleus Strategic Core Properties)
- Advertising (Cossette Communication-Marketing)
- Planning and media buying (Cossette Media)
- Direct marketing, database management and sales promotion (Blitz Direct, Data & Promotion)
- Public relations (Optimum Public Relations)
- Alliance marketing (Fusion Alliance Marketing)
- Brand identity and design (Graphème Branding & Design)
- Ethnic marketing (Koo Creative)
- Urban youth marketing (Alias)
- Interactive and information technologies (Cossette Interactive and its partner, Proximi-T)
- Research (Impact Research)

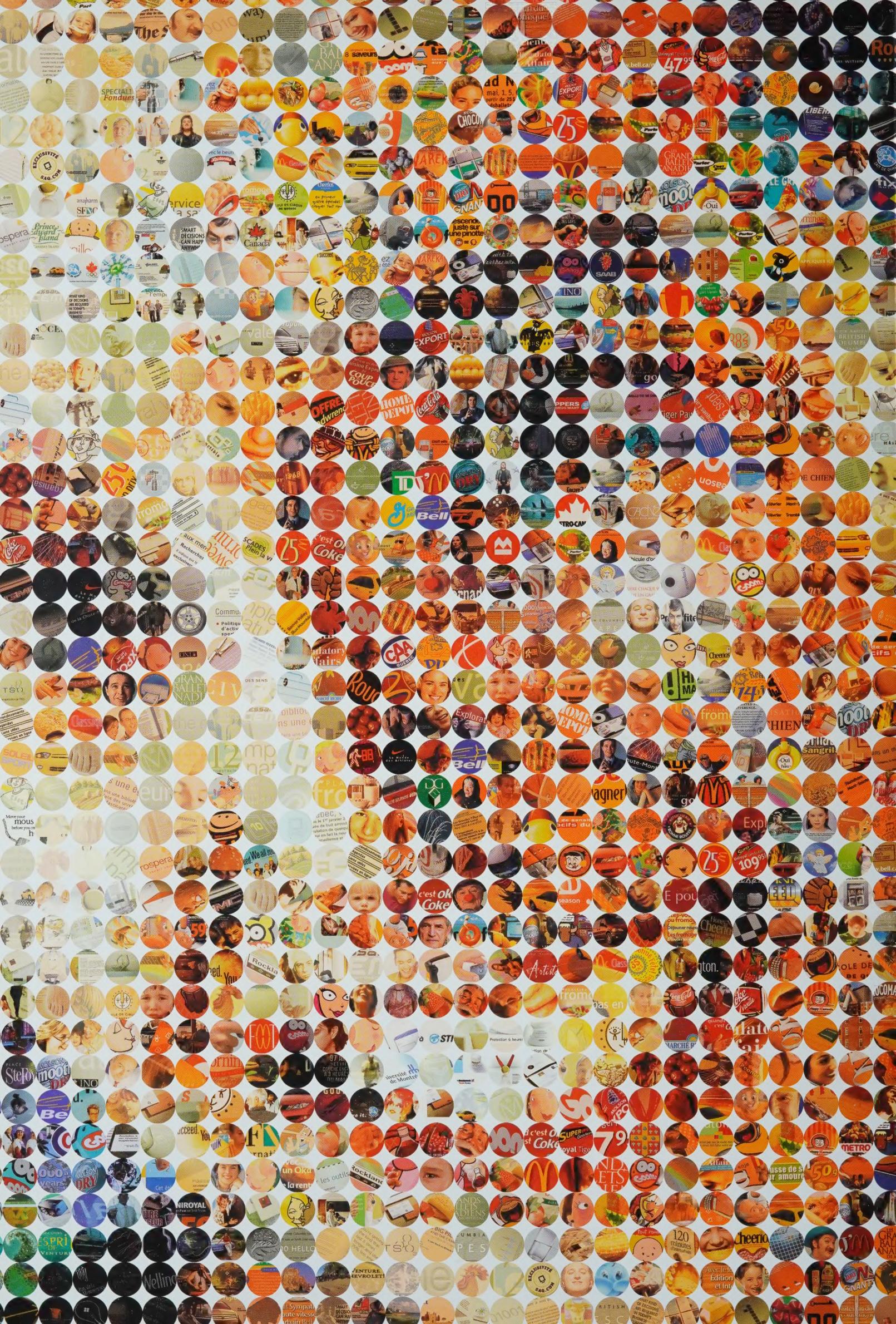




Spheres of Action

A DECENTRALIZED AND FLEXIBLE STRUCTURE

Cossette is also characterized by its decentralized and flexible structure, which allows the Company to meet the multi-faceted needs of all its clients, whatever their size, core business or location. ~ Each communication discipline constitutes a business unit with its own clientele and is responsible not only for attracting and keeping top-quality professionals, but also for remaining at the very forefront of the industry.



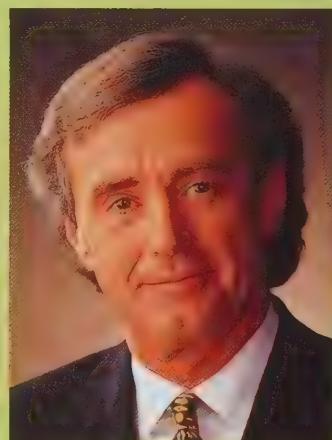
On the Ball



- We bring the passion, courage and pride of an entrepreneur to work everyday.
- We succeed only when our clients succeed.
- We are dedicated to the creation of compelling, original, and simple ideas.
- We believe in the power of teamwork.
- We use a unique strategic discipline that uncovers the core essence of a brand that can influence corporate cultures.
- We design total convergence communication solutions leveraging our unrivalled multi-disciplined infrastructure.
- We attract talented people who believe in mutual trust and respect.
- We share our success with our people.
- We crave knowledge and offer continuous learning programs unmatched in the industry.
- Most importantly, we succeed when we have fun at what we do.



The **Connexis Communication Group** had a good year, despite the uncertain economic climate, which continued to reign following the events of September 11th, financial scandals and a drop in tech stocks, and which inevitably had an impact on the communications industry. These results reflect our aggressive business development and sound growth strategy, based on the strength of our resources and our determination to satisfy our clients.



Claude Lessard
Chairman of the Board
and CEO



François Duffar
Vice-Chairman of the Board
and President

Cossette has developed a unique offer which the Company has continued to enhance over the years by adding new specialties to the existing array of multidisciplinary services offered – often contributing to the very conception of new fields as they emerge – and also by employing the latest technologies and cutting edge approaches to further exceed creative limits. Moreover, Cossette has successfully redefined its convergence model through each stage of expansion, thereby achieving better performance levels and an ability to adapt quickly to changing market demands. ~ Once again this year, despite the uncertain economic situation, these strengths generated results. Our clients, whether of long-term or more recent standing, remained loyal to us, while many new organizations placed their trust in us. For all our clients, we worked hard to develop simple and original solutions to their communication challenges. And we had fun doing it! ~ Thanks to this determination, total billings for the year rose to \$746.8 million from \$600.8 million the previous year, while gross income rose to \$157.7 million, an increase of 19.0% from the preceding fiscal year. Of this growth, 7.9% was generated organically despite the industry slowdown, while the remaining 10.9% was provided by Cossette Post, our New York office acquired in 2001, whose results were included in their entirety in this year's consolidated results, compared to just two months of results in fiscal 2001. Net earnings increased by 9.1% to reach \$12.4 million.

For all our clients, we worked hard to develop simple and original solutions to their communication challenges. And we had fun doing it!

DEPTH AND DIVERSITY Bell Canada is without a doubt one of the clients who benefits most from not only our convergent approach, but our national scope, which gives us the ability to deploy our resources across Canada. Numerous projects have been thus realized for Bell during the fiscal year, with our experts working together to launch and promote new products. ~ We have selected one of these projects, Bell's Network-based Business Solutions, to offer a concrete example of exactly how the different steps of a convergent project are realized. (see pages 16 to 19) Another case in point is Shoppers' Drug Mart/Pharmaprix, a new client who capitalized on our convergent model to promote the company and its services across Canada.

Many of our clients, regardless of their size or location, have made the most of this unique offer to promote their respective brands on the national or regional level, including organizations like General Motors, General Mills, McDonald's Restaurants of Canada, Dairy Farmers of Canada, Bank of Montreal, Molson Breweries, TD Waterhouse, Crystal Decisions and Manitoba Telecom Services (MTS). Others, such as Coca-Cola, Petro-Canada, The Phoenix Company, Metro-Richelieu, Nike, Amica Mutual Insurances Company, Aliant Telecom or BC Hydro, chose to retain one or two disciplines that best met their specific needs. In each case, we drew from our abundant pool of resources, whose depth and diversity contribute to our clients' strength and secure their support and confidence in us.

INTERNAL GROWTH *Nucleus and Alias: new business units for new needs* Our will to innovate and to remain at the forefront of new market needs has led us this past year to create two new business units that will be asked to play – and are indeed already playing – a significant role in expanding our service offer. ~ The first, Nucleus Strategic Core Properties, a subsidiary created at the beginning of the fiscal year, gathers our best strategy experts to offer top-quality strategic planning services during the initial planning and development stages of communication programs. As such, Nucleus becomes our main instrument for brand management, positioning, and convergent communication planning. The Nucleus team has already invested time and energy to develop an exclusive approach, *Total convergence planning*, which will no doubt spearhead its entry into this specialized field. Nucleus has also developed innovative and sophisticated research techniques that help shed new light on our clients' brands and products.

Nucleus becomes our main instrument for brand management, positioning and convergent communication planning.

Founded in Vancouver at the very end of the fiscal year, Alias, dedicated to the urban and youth market, is our second unit to define itself in relation to a specific target public, taking the idea of market segmentation one step further. Following the example of Koo Creative, whose marketing efforts focus on the Asian community, Alias has adapted and renewed our communications offering in order to provide better service to our clients who wish to reach the youth segment, from preschool to university, as well as their parents in certain cases. This target group is indeed crucial to a great deal of our clients, some more obvious than others. Companies such as sporting goods, clothing and games manufacturers are, of course, interested in the youth segment, yet marketing and communications programs specifically tailored to the next generation of leaders are also very appealing to other organizations, such as companies in the financial services or telecom sectors. Alias will support our clients in their endeavors and will become an invaluable resource to them.

GROWTH BY ACQUISITION *Strict criteria for smooth integration* When we acquired Cossette Post, we insisted on the two organizations' cultural compatibility as the key measure of the New York agency's successful integration within the Cossette family. Just as we anticipated, the integration of Cossette Post was a resounding success, both on the interpersonal and organizational levels. Already, many of our experts in various disciplines and offices are collaborating with members of the New York team and developing projects jointly. For example, two of Cossette Post's clients, the U.S. Coast Guard and Caché, a clothing retailer, have adopted AdCentric, an Internet ad-management system developed by Cossette Media that allows for a quick and immediate evaluation of Web advertising campaigns and, if necessary, for making adjustments almost simultaneously. Moreover, TD Waterhouse, another of Cossette Post's U.S. clients, is now putting Cossette's expertise to work for the company throughout the entire English Canadian market.

The integration of Cossette Post was a resounding success, both on the interpersonal and organizational levels.

While business acquisitions remain at the heart of our growth strategy, our selection process has to be rigorous, at once rational and intuitive. Cossette boasts a well defined culture, based on entrepreneurship, teamwork, and innovation. Finding these cultural attributes among the companies we approach is as important in determining our choice as their ability to contribute to our growth and financial results. To us, cultural proximity truly provides the essential foundation for a lasting and profitable relationship. ~ During this last fiscal year, we have actively pursued steps toward this end and we are confident that our current position will allow us to proceed with acquisitions that will greatly contribute to the future success of our organization.

DECENTRALIZATION *A fundamental strength* Cossette also distinguishes itself from other large communication companies by its decentralized structure. Each discipline has its own business unit, equipped with its own clientele, responsible for recruiting top professionals and keeping them happy, and for staying on the cutting edge of the industry. The heads of regional offices are being asked to assume greater responsibilities, in terms of both business development and administration. Decentralization encourages our employees to live up to their full potential. We believe that by granting them the space and freedom to evolve within flexible and autonomous structures, and by providing access to tools built according to their needs, we can inspire the entrepreneurial spirit within them and bring out their very best.

Decentralization encourages our employees to live up to their full potential and inspires the entrepreneurial spirit within them.

This past fiscal year, with the goal of increased responsibility at the regional level in mind, our Toronto office welcomed several new high-level colleagues, recognized by their peers as leading professionals in the industry. The new recruits have added greater depth to an already strong team of experts, a team that will benefit our clients not only in Toronto, but across our entire North American network.

MISSION AND PROFESSIONAL DEVELOPMENT *Testimony to a uniform and harmonious approach* Despite our decentralized structure, which fosters a dynamic and creative environment, we believe it is essential that all employees share the same vision and values. Such a vision ensures that our clients, wherever they may be, are guaranteed to benefit from the depth and diversity of our service offer, and more importantly, the specific nature of our approach. ~ At the beginning of the fiscal year, we adopted a new mission that reaffirms the values thanks to which the Company has grown and prospered, values that will continue to inspire and guide each and every Cossette employee.

In keeping with this spirit, we launched Cossette Campus, a new professional development program for all our employees. We believe that knowledge and creativity are essential to original and effective communications solutions. This program, which encompasses Cossette's history, culture and specialized communication disciplines, seeks to provide a uniform training program for all employees in order to give them the opportunity to develop greater proficiencies on both the personal and professional levels. Cossette Campus introduces an e-learning component, offering employees the opportunity to take courses at their own pace.

OUTLOOK FOR GROWTH We are staying the course. Growth remains our objective: we intend to pursue this goal through business development and acquisitions. At the moment, it is difficult to predict the state of the North American economy for 2003. In such a climate, the discipline and caution we exercised over the past fiscal year – with the support of our employees – is the best guarantor of our success. We will continue to approach our work with determination and enthusiasm in order to satisfy our clients: our success depends on theirs. Finally, we will actively pursue our search for acquisition opportunities that satisfy our selection criteria, both on the strategic and financial levels.

We will continue to approach our work with determination and enthusiasm in order to satisfy our clients: our success depends on theirs.

SOCIAL RESPONSIBILITY AND COMMUNITY INVOLVEMENT The Cossette Communication Group is committed to being a good corporate citizen. As such, our first order of responsibility lies with our employees. In addition to our specially tailored professional development program, we are dedicated to providing our employees with a stimulating work environment that fosters respect and teamwork, and to offering them appropriate guidance by encouraging them while still according the necessary level of autonomy. We are also proud to offer our employees excellent opportunities for advancement, personal development, and internal mobility, all of which assist them in fulfilling their ambitions. We view this approach as a win/win situation. Our employees benefit, we benefit and, consequently, our clients and shareholders benefit as well.

This commitment is also reflected in our client relationships. Because we succeed only when they succeed, we foster client relationships based on confidence and respect, and of course, we strive continually to find new solutions that will charm them, astonish them and contribute to their success. As a public company, we also owe it to our shareholders to show proof of integrity and transparency in our management of the company; our conscientious Board members are there to guarantee that we do.

We believe that we have a responsibility toward our community, a conviction shared at all levels of the organization and demonstrated by our employees through their commitment to causes they care about deeply. Once again this year, Cossette employees from all offices across Canada contributed their time and efforts to McHappy Day, which raised money for children's charities. In addition, Montréal employees joined forces for a campaign benefiting Centraide/United Way; Québec City contributed to the Lauberivière project for the homeless; Toronto raised funds for Kids Help Phone and Girl Guides of Canada; Vancouver marched in the Bell Walk for Kids; while New York employees signed up with the Red Cross to help with the Ground Zero World Trade Center rescue effort. Besides these collective donations, many employees are involved on an individual basis in activities at the community level: in hospitals, theatre companies, volunteer organizations and professional associations.

In closing, we wish to extend thanks to our clients for their faith in us and their loyalty; to our employees for the generous contribution of their efforts and ideas; to our shareholders who believe in our vision; and to the members of the Board who protect all of our interests with great care and professionalism.



Claude Lessard
Chairman of the Board and Chief Executive Officer

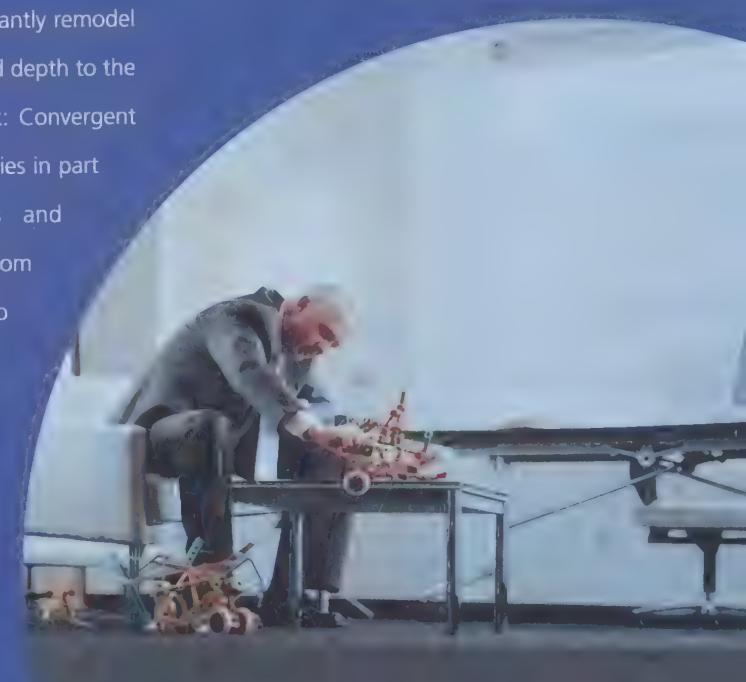


François Duffar
Vice-Chairman of the Board and President

Connecting the Dots

Bell Network-based Business Solutions

From the very beginning, Cossette has embraced the virtues of an integrated communication approach and has put that approach to work for its clients. Over the years, as new disciplines emerged and new client needs surfaced, the Cossette team knew to constantly remodel this approach, which gained in diversity and depth to the point that it merited an official trademark: Convergent Communication™. Though convergence relies in part on exclusive leading-edge techniques and processes, its real strength is drawn from Cossette's creative teams and their ability to join forces and generate synergies while maintaining an environment of mutual respect and generosity. In this way, Cossette's talented workforce succeeds in finding comprehensive, original and relevant solutions for its clients. The project presented here, the Bell Network-based Business Solutions campaign, is an excellent illustration of this unique approach.



Say your business is toys. There are three things you should do: Eat, sleep and breathe toys.

© 2002 Bell Network-based Business.

Convergent Communication™ is a trademark of Cossette. Bell Network-based Business solutions handle everything else. From security, converged desktop communications to security, converged desktop communications. It's a complete portfolio of fully-managed services, including converged desktop communications, security, converged desktop communications, and more. It's all work. And the expertise

Contact us at
1 866 234-2000
or visit us at
www.network-based.com



1 Briefing

November 2001

BRIEFING FROM THE BELL TEAM

The Bell team (Montréal and Toronto) presents its Network-based Business Solutions project to Cossette's Consulting team.

- Objective: change perception of Bell among decision makers, from that of telephony and network provider to expert in network-based business solutions
- Issues: multiple and diverse target groups and long-term sales cycles
- Target audiences: decision makers and high-level executives

PRELIMINARY PLANNING PHASE

The Consulting team organizes a brainstorm with Nucleus to launch the strategic planning process

- Develop preliminary strategy
- Establish project timeline
- Identify major disciplines required:
 - Strategic planning (Nucleus)
 - Advertising (Cossette Communication-Marketing)
 - Media planning and buying (Cossette Media)
 - Public relations (Optimum)
 - Sales promotion and direct marketing (Blitz)
 - Interactive technologies (Cossette Interactive)
 - Graphic design (Graphème)

2 Planning

November & December 2001

CONVERGENT BRAINSTORM SESSION

This first brainstorm gives all disciplines the opportunity to participate in developing the communication strategy.

Already, at this initial stage, the process creates synergies that will remain during the entire campaign, throughout which all disciplines will be called upon to contribute, to interact and follow-up with one another, continually pushing the boundaries of creativity.

- Comprehensive communication strategy is developed.

PRESENTATION OF COMMUNICATION STRATEGY TO THE BELL TEAM

Throughout the first two weeks of December, the Bell and Cossette teams work closely together to refine the overall strategy. Once the strategy is clearly defined and adopted, a backgrounder will be prepared to brief the creative and other teams in each discipline

The backgrounder includes all the information required to implement the process. It is the reference point for everyone who will be called upon to participate in the project. This document focuses the strategy on one essential idea, which becomes the umbrella concept for the project:

**Keep your focus where it belongs
- on your business**

3 Development

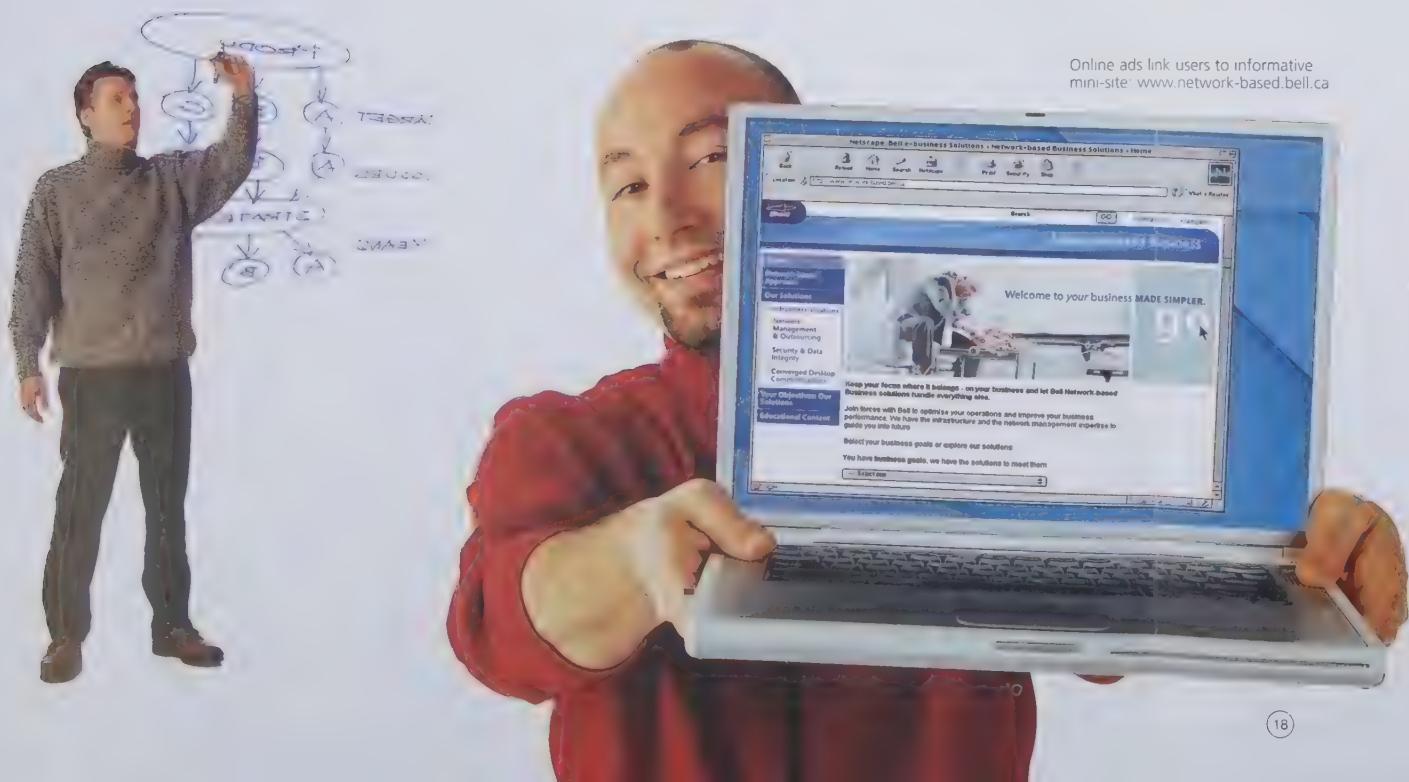
December 2001 - January 2002

CONVERGENT TEAM DEVELOPS THE COMMUNICATION PLAN

Through a series of team meetings, exchanges of ideas among the different disciplines, and with the help of comments received from its Bell colleagues, the Cossette team develops, defines and refines a convergent communication plan. This process is one of continuous synergies



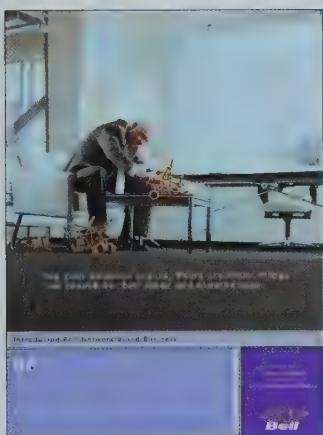
Advertising strategy	Web advertising strategy	Media buying strategy	Public relations strategy	Graphic design	Direct marketing strategy	Strategic properties
<ul style="list-style-type: none"> Establish Bell's reputation within the e-business market • General concept and product execution • Web advertising concepts (banners, pop-ups) • Mass advertising and targeted advertising 	<ul style="list-style-type: none"> Inform high-level executives of Bell's general service offer and specific products • Choice of appropriate media and publishing schedule • Informative product mini-sites 	<ul style="list-style-type: none"> Change perception of Bell's field of expertise among target audiences • Organization of prestigious events for high-level executives • Writing of advertorials for the business or general media • General and business media • Web sites • Advertising and advertorials 	<ul style="list-style-type: none"> Increase Bell's credibility in the e-business field • Organization of prestigious events for high-level executives • Writing of advertorials for the business or general media • General and business media • Web sites • Advertising and advertorials 	<ul style="list-style-type: none"> Design and production of invitations for the events 	<ul style="list-style-type: none"> Increase individual awareness – by employing a personalized strategy – of Bell's leadership position in the e-business field • Choice of elegant and high-quality premiums for targeted high-level executives • Building distribution lists 	<ul style="list-style-type: none"> Ongoing strategic analysis and critical overview of communication strategy as a whole



Production

5 Post-project Analysis

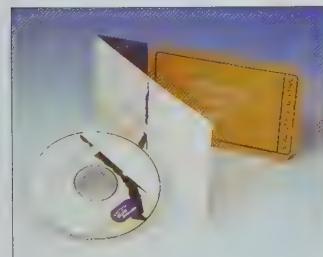
February - July 2002



Series of spots based on overall campaign theme.



Banners, pop-ups, mini-sites: effective online communications.



Exclusive events, including the *Cirque du Soleil*'s latest show, Varekai, an opportunity to present Bell business solutions.



Advertisorials present how Bell solutions help clients meet their objectives.

July - August 2002

EVALUATION OF RESULTS

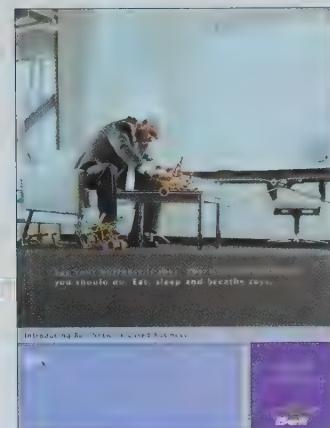
After an evaluation which revealed positive results in both awareness of the campaign and correct identification of its advertiser, Cossette worked with Bell to further refine the strategy in order to proceed with the next phase: the fall follow-up campaign.

FINE-TUNING OF COMMUNICATION PLAN

Review of certain tactics; media and public relations campaign extended; launch of campaign's direct marketing component.

6 Follow-up

September – December 2002



Follow-up ad campaign in the fall.



A new series of events for business executives...



...including a conference with racecar driver Patrick Carpenter.



Blitz sent DoubleUp Zebra practice putters to targeted executives along with an Australian game called GolfCross and a brochure on Bell business solutions.



The Convergent CommunicationTM approach – More success stories

~ Tourism Prince Edward Island ~ COSSETTE ATLANTIC.

Island ~ COSSETTE ATLANTIC. Historically, Tourism PEI devoted little energy to its American neighbours in the New England market, despite their geographic proximity. This past year's campaign focused on convincing New England residents that PEI was a great travel destination. The integrated campaign involved television, magazine and newspaper ads as well as interactive and direct mail components. The results speak for themselves: inquiries from the New England market increased by a remarkable rate of close to 300%.

ONLY WAY TO GROW

~ Ministère de la Santé et des Services sociaux ~ COSSETTE QUÉBEC. As part of a continuing program aimed at young people between the ages of 11 and 17, the goal of this government campaign was to encourage kids to really talk to the adults in their lives. The theme incorporated major issues that teens face while building a strong and uniform message summed up by the phrase "Talk, it's the only way to grow." In addition to mass advertising spots, the campaign encompassed online sites, direct promotions and special activities in high schools. According to an Impact Research poll, 85% of young people and 94% of parents interviewed declared that the campaign message caused them to reflect on the importance of talking to each other more.

~ TD Waterhouse ~ COSSETTE TORONTO AND COSSETTE

POST. To establish itself as a more complete financial partner and take a leading role in the industry, TD Bank Financial Group decided to amalgamate its investment businesses under the TD Waterhouse brand name. Under the auspices of Cossette Post and in collaboration with Nucleus, Cossette Toronto was asked to help the bank relaunch with a brand positioning centred on guidance through dialogue. The team refined the positioning and developed a successful national multi-media campaign for which TD Waterhouse received national media attention.

~ General Motors

~ COSSETTE MONTRÉAL. To launch the new vehicle, Fusion and Cossette Media organized a televised road trip, broadcast on a nightly TVA variety show popular among the target audience. Participants had to make the journey from Montréal to Moose Jaw, traveling 6,000 km over 11 days and spending a required 22.5 hours a day in their Vibes. Every night and live on the air, the TV audience voted off one participant. The winner got to take home not one but two brand new Pontiac Vibes. Convergent communication initiatives included research, promotions and public relations. The rally was a major success: 45% of audience members interviewed declared they would consider buying a Vibe.

~ Manitoba Telecom Services (MTS) ~ COSSETTE WEST.

Already well known in Manitoba for its telecommunications services, MTS sought to promote its High-Speed Internet product among current and potential users by emphasizing the fast access and performance advantages of MTS DSL. Directed at a broad target audience, the multi-faceted campaign encompassed mass advertising, direct marketing, online promotions and campaign sites, and promotional events utilizing a team to provide hands-on product demonstrations. The campaign contributed to MTS doubling its market share in the last year.

Selected financial information for the years ended September 30

(in thousands of dollars, except the number of shares and per share data)

	2002	2001
Billings⁽¹⁾	746,829	600,760
Direct expenses	589,164	468,262
Gross income	157,665	132,498
Salaries and employee benefits	90,987	79,393
General & administrative expenses	40,873	33,036
EBITDA (before long-lived asset impairment)	25,805	20,069
Long-lived asset impairment	2,431	-
EBITDA	23,374	20,069
EBIT	20,339	18,592
EBT	20,807	19,837
Net earnings before amortization of goodwill	12,679	11,660
Net earnings	12,371	11,335
Basic earnings per share		
Earnings before amortization of goodwill	0.68	0.63
Net earnings	0.66	0.61
Diluted earnings per share		
Earnings before amortization of goodwill	0.67	0.62
Net earnings	0.65	0.60
Weighted average number of shares outstanding ('000)	18,781	18,605
Shares outstanding (as at September 30) ('000)	18,810	18,767
Other data (unaudited)⁽²⁾		
Net earnings (excluding the after-tax impact of long-lived asset impairment)	13,864	11,335
Earnings per share (excluding the after-tax impact of long-lived asset impairment)		
Basic	0.74	0.61
Diluted	0.73	0.60

(1) Billings typically include the gross price of media space or other services not provided by the agency itself (direct expenses), but purchased or subcontracted by the agency on behalf of a client, in addition to the agency's commissions and fees.

(2) This information may not be comparable to similarly titled measures reported by other companies as it is non-GAAP information.

The following are highlights of our 2002 fiscal year:

- Increase of gross income to \$157.7 million, up 19%. Organic growth contributed 7.9% of the overall increase while the results of Cossette Post acquired in 2001, represented 10.9%.
- Gains of important new client business and strengthening of our existing client relationships, which stimulated organic growth.
- Improvement of our EBITDA margin to 16.4% (before long-lived asset impairment) through effective cost control measures: the Company's best margin since it went public in 1999.
- Increase of 32.4% in cash flow from operations before changes in non-cash working capital items, from \$13.6 million in 2001 to \$18.1 million in 2002.
- Strengthening of our Toronto operations with the recruitment of leading professionals in the communications industry.
- Creation of Nucleus Strategic Core Properties, which will take convergence to the next level.
- Impairment charge of \$2.4 million for a discontinued systems software development project (\$1.5 million after-tax). Pursuant to an extensive review of its information systems and systems software in progress, the Company concluded that a systems software development project should be discontinued as it no longer met the Company's future requirements.

Fiscal Year Ended September 30, 2002, compared with Fiscal Year Ended September 30, 2001

Gross income. Gross income increased 19.0% to \$157.7 million from \$132.5 million in 2001. Organic growth contributed 7.9% of the overall increase, while Cossette Post, whose results were included in the Company's consolidated financial statements for the entire year, contributed 10.9% of the increase. Foreign exchange translation increased our foreign gross income by 0.2%. Net new business (clients won less clients lost) contributed approximately 47% of the organic growth, while the balance was generated through the expansion of existing client accounts.

The percentage of gross income from the top 10 clients in fiscal 2002 amounted to 62.8%, versus 67.0% in 2001. The gross income generated from one of these clients is substantially greater than the revenues from any other of these clients. The percentage of gross income from advertising services was 52% in 2002, compared with 48% in 2001. This increase in the proportion of advertising services compared to last year is primarily due to the fact that Cossette Post, whose gross income is predominantly derived from advertising services, was consolidated in our results for the entire year. Geographically, all of our principal offices contributed to the overall growth, with Toronto contributing the most in dollar terms and Halifax percentage-wise. All of our business units (except for Optimum which suspended its Washington operations in the third quarter) contributed to the overall growth, with the agency contributing the most percentage-wise and in dollar terms. As a percentage of billings, gross income amounted to 21.1% in fiscal 2002, versus 22.1% in 2001. Billings increased by 24.3%, largely as a result of the consolidation of Cossette Post results for the full year and growth in media buying activities.

Salaries and employee benefits. Salaries and employee benefits increased 14.6% to \$91.0 million from \$79.4 million. Salaries and employee benefits represented 57.7% of gross income in 2002, compared with 59.9% in 2001. The significant improvement in the ratio of salaries and employee benefits as a percentage of gross income is mainly due to the following: (i) revenues generated from a significant mandate obtained last year, which expanded considerably in fiscal 2002 to the point that significant staffing measures undertaken in 2001 were fully offset (ii) a 5-month-long hiring and salary freeze implemented early in the year as a precautionary measure to compensate for weak economic conditions and, (iii) to a lesser extent, some tax credits earned by certain business units that are being accounted for as a reduction of salary expense.

General and administrative expenses. General and administrative expenses increased by 23.7%, to \$40.9 million from \$33.0 million. As a percentage of gross income, general and administrative expenses represented 25.9% in 2002, versus 24.9% in 2001. The increase in general and administrative expenses as a percentage of gross income is primarily due to a one-time charge associated with the move of our Toronto operations to new premises, an increased use of freelancers as a result of the hiring freeze, and costs related to the suspension of our Washington operations.

EBITDA. As a result of the foregoing, our EBITDA margin (before long-lived asset impairment) improved by 130 basis points, to 16.4% from 15.1% in 2001.

Long-lived asset impairment. During the year, the Company undertook an extensive review of its information systems and systems software in progress. Pursuant to this review, the Company concluded that a systems software development project should be discontinued as it no longer met the Company's future requirements in terms of systems software. As a result, an impairment charge of \$2.4 million was recorded in fiscal 2002 (\$1.5 million after-tax), an amount corresponding to the net carrying value of this asset.

Earnings before income taxes. Earnings before income taxes increased 4.9% to \$20.8 million from \$19.8 million in 2001. As a percentage of gross income, the pre-tax profit margin declined to 13.2% from 15.0%, largely as a result of the impairment charge for a discontinued systems software development project and, to a lesser extent, higher depreciation and amortization of intangible assets and deferred charges and lower interest revenues generated from excess cash balances. Lower interest revenues are primarily reflective of lower investment returns and, to a lesser extent, lower average excess cash balances.

Net earnings and earnings before amortization of goodwill. Net earnings increased 9.1% to \$12.4 million from \$11.3 million, and earnings before amortization of goodwill increased 8.7% to \$12.7 million from \$11.7 million. Excluding the after-tax impact of the systems software impairment of \$1.5 million, net earnings amounted to \$13.9 million, or a net earnings margin of 8.8% compared to 8.6% in fiscal 2001. Our effective income tax rate was 40.1% (exclusive of the tax impact of the impairment charge for a discontinued systems software development project) compared to 42.1% in fiscal year 2001. This reduction is primarily due to a lower Canadian federal corporate tax rate and a greater proportion of the Company's taxable income being generated in lower tax jurisdictions, namely the United States. Our net earnings were also positively impacted by our \$235,000 share of earnings coming from a significantly-influenced company, and negatively impacted by a foreign exchange loss of \$29,000 and a non-controlling interest of \$36,000.

Liquidity. The Company's financial position continued to be strong during the fiscal year ended September 30, 2002, with cash and cash equivalents, short-term investments and deposit on a contract amounting to \$32.7 million. The deposit on a contract constitutes an investment in a Treasury bill bearing interest at an annual rate of 3.22%. This investment was required under the terms of an important media-buying contract undertaken during fiscal 2000. This investment matures on June 19, 2003. The Company's total debt, net of cash, amounted to a net cash position of \$30.7 million, compared with a net cash position of \$17.9 million at the end of fiscal 2001. In addition to its existing cash resources, the Company retains all of its net earnings as opposed to paying dividends.

The principal use of the Company's working capital is to provide for operating needs, such as media buying and production services that are purchased on behalf of our clients. Other uses of the Company's capital are capital expenditures and acquisitions.

Cash flows from operating activities excluding net changes in non-cash working capital items increased 32.4% from \$13.6 million to \$18.1 million. The increase is primarily due to higher net earnings combined with an increase in items not affecting cash and cash equivalents, most notably depreciation of property, plant and equipment and a long-lived asset impairment. Our non-cash working capital as a percentage of billings improved to 4.8%, from 6.1% as at September 30, 2001. As a result, the net change in non-cash working capital items was insignificant compared to an investment in working capital of \$3.0 million in fiscal 2001.

Cash flows used in financing activities amounted to \$145,000 compared to \$10.3 million in fiscal 2001. During the year, the Company made payments on long-term debt of \$668,000 and issued subordinate voting shares of \$521,000 pursuant to the exercise of stock options.

Cash flows used in investing activities amounted to \$6.1 million compared to cash flows from investing activities of \$9.4 million in fiscal 2001. The Company used \$3.8 million in the purchase of property, plant and equipment mostly comprised of leasehold improvements, \$76,000 in the acquisition of an intangible asset and \$1.2 million as a deferred charge related to the payment of an exclusivity bonus which is amortized over the period of the employment contract.

Capital resources. The Company currently has an operating line of credit with a total authorized amount of \$50 million in the form of a revolving credit facility. The purpose of this credit facility is to finance the Company's operations and working capital requirements. The operating line of credit has essentially been unused throughout the year, as the Company used its lower cost excess cash balances to finance its cash needs. The monthly operating cash requirements may vary significantly depending on client spending patterns. Management believes that future cash flow from operations and availability under existing banking arrangements will be adequate to support working capital requirements and ongoing capital expenditures.

Future earn-out payments. Under Canadian generally accepted accounting principles (GAAP), reporting issuers are not currently required to account for any liabilities related to performance-based earn-out payments on their balance sheets because such additional purchase price payments are contingent upon acquired businesses achieving minimum predetermined performance goals, and upon future events. However, the Management considers it appropriate to provide a projection of such future earn-out payments. This projection will be re-evaluated annually or earlier if a material event occurs that would affect the potential earn-out payment obligation of the Company. Current Management projections of future performance-based earn-out purchase price payments for each of the next five years are \$0 in 2003, approximately \$4.5 million in 2004, \$0 in 2005, \$6.2 million in 2006 and \$0 in 2007.

Stock options. Section 3870 of the Canadian Institute of Chartered Accountants Handbook (the CICA Handbook) encourages but does not require companies to use the fair value method when stock options are granted to employees. This section of the CICA Handbook applies to companies with fiscal year ends commencing on or after January 2002. Consequently, the Company will apply this section effective October 1, 2002. The Company's intention is to disclose the pro-forma impact on earnings of using the fair value method in a note to its financial statements commencing in the first quarter of fiscal 2003.

Business combinations, goodwill and other intangible assets. Under Section 1581 of the CICA Handbook, business combinations initiated after June 30, 2001 are required to be accounted for using the purchase method of accounting. All of the Company's acquisitions have been accounted for using the purchase method of accounting. Under Section 3062 on Goodwill and Other Intangible Assets, recorded goodwill and intangible assets are evaluated against new criteria for recording intangible assets separately from goodwill. Section 3062 resulted in the recording in fiscal year 2001 of an intangible asset of \$1.6 million related to the acquisition of Cossette Post, such asset being amortized over 10 years. Section 3062 also requires the non-amortization approach to account for purchased goodwill. Under the non-amortization approach, goodwill is not amortized but is instead reviewed periodically for impairment. The adoption of this section as at October 1, 2002, for acquisitions completed prior to July 1, 2001, will reduce the annual goodwill amortization by approximately \$308,000 in 2003.

The Company is operating in a dynamic industry that presents both opportunities and challenges. The communication-marketing industry is still very fragmented, yet the wave of consolidation that began a few years ago continues, albeit at a slower pace, due among other things to the period of economic uncertainty.

Cossette remains committed to becoming a dominant player in each of the disciplines of the communication-marketing industry in Canada and to expanding geographically, including in the United States. Despite the weakening economic environment, the Company continued to perform well across the various business units, thanks to the strength of its clients, the balanced and complete mix of its service offering and the dedication of its employees. Although the economic climate remains uncertain, the Company intends to pursue its growth strategy based on organic development and acquisitions.

Highly competitive industry. The communication-marketing industry is highly competitive. In North America, the Company's competitors include large multinational communications and marketing firms present in both Canada and the United States, as well as numerous small and mid-size agencies. Competitors offer integrated services or specialize in one or several communications disciplines. In addition, there are global communications marketing holdings that offer integrated services through a collection of national or multinational companies active in the various communications disciplines. It should also be noted that some major consulting firms are developing practices in marketing consultancy.

Downturn in the communication-marketing industry. The communication-marketing industry is subject to downturns in general economic conditions and changes in client business and marketing budgets. The Company's prospects, business, financial condition and results of operations may be materially adversely affected by the downturn in general economic conditions in one or more markets or changes in client business and marketing budgets.

Conflict policies. The ability of agencies within communication-marketing organizations to acquire new clients or additional assignments from existing clients may be limited by the conflict policies followed by many clients. These conflict policies typically prohibit agencies from performing similar services for competing products or companies. Some of the Company's principal competitors are organized as holding companies for more than one global advertising agency network. This allows them to perform services for competing products of competing companies. The Company has one global advertising agency network. Accordingly, the ability of the Company to compete for new advertising assignments and, to a lesser extent, other communication-marketing assignments, may be limited by these conflict policies.

Dependence upon a limited number of clients. Although the Company has more than 400 clients, a relatively small number of them contribute a significant percentage of the Company's consolidated gross income. For the year ended September 30, 2002, the Company's 10 largest clients contributed approximately 63% of its consolidated gross income. The gross income generated from one of these clients is substantially greater than the revenues from any other of these clients. The Company's dependence on gross income from these clients may increase in the future as it pursues its strategy of increasing development of existing large clients. Furthermore, clients' policies on conflicts of interest typically prohibit the Company from performing similar services for competing products or companies. Historically, the Company has maintained long-term relationships with many of its largest clients.

Ability to attract and retain key personnel. The Company's success depends in part upon its ability to hire and retain key senior management and skilled technical, professional services and marketing personnel able to create solid relationships with clients. Its inability to hire or retain qualified personnel could have a material adverse effect on the Company.

Risks of acquisition program. The Company continues to seek acquisitions of communication-marketing firms or companies offering complementary services firms in order to increase its market share in Canada, strengthen its service offering and establish a more significant presence in the United States. There can be no assurance that the Company will ultimately make any such acquisitions, or that the Company will be able to successfully integrate any business that it may acquire into its operations. In addition, the process of integrating an acquired company's business into the Company's operations may result in ongoing and extraordinary operating difficulties and expenditures, may absorb significant management attention that would otherwise be available for the ongoing development of the Company's business, and may result in charges to operating results.

Undertaking media buying and other services purchased on behalf of clients. The Company's services require the buying of time and space in a variety of media, including broadcast and cable television, radio, newspapers and magazines, and the buying of other outside services, such as production services. Expenses incurred by the Company on behalf of clients in connection with these buys are invoiced to the clients and represent a substantial entry as compared with the gross income of the Company. As much as possible, the Company attempts to invoice these expenses to its clients on a monthly basis, although for certain accounts the Company's billings may vary.

Consolidation of accounts. Some large multinational companies seek to consolidate their accounts with one organization that can fulfil their communication-marketing needs worldwide. This trend towards consolidation of global accounts requires communication-marketing companies seeking to compete effectively on an international basis to make significant investments. To the extent that the Company's competitors may have broader geographical scope or greater financial resources to invest in additional offices, personnel or technology, they may be better positioned than the Company to take advantage of opportunities for the consolidation of global accounts.

The accompanying consolidated financial statements of Cossette Communication Group Inc. and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through the Audit Committee, which consists of three outside directors appointed by the Board. The Committee meets periodically with management as well as with the independent external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for consideration when the Board approves the financial statements for issuance to the company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The external auditors have full and free access to the Audit Committee.

On behalf of the shareholders, the financial statements have been audited by PricewaterhouseCoopers LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.



Claude Lessard
Chairman of the Board and Chief Executive Officer


Jean Royer
Vice-President and Chief Financial Officer

Québec, Québec
November 20, 2002

To the Shareholders of Cossette Communication Group Inc.

We have audited the consolidated balance sheets of **Cossette Communication Group Inc.** as at September 30, 2002, and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

Québec, Québec, Canada

November 20, 2002

As at September 30,
(in thousands of dollars)

	2002	2001
	\$	\$
Current assets		
Cash and cash equivalents	24,079	12,233
Short-term investments (note 16)	6,955	6,012
Accounts receivable, net of allowance for bad debts (note 4)	128,464	130,250
Direct costs billable to clients	14,207	17,398
Deposit on a contract, Treasury bill, 3.22%, maturing June 19, 2003	1,700	1,735
Income taxes recoverable	662	-
Future income tax assets (note 12)	727	-
Prepaid expenses	825	909
	177,619	168,537
Property, plant and equipment (notes 5 and 8)	11,229	12,022
Future income tax assets (note 12)	216	972
Investments in a significantly-influenced company (notes 3a and 6)	3,168	3,096
Goodwill, intangible assets and deferred charges (notes 7 and 13c)	16,154	15,208
	208,386	199,835
Current liabilities		
Accounts payable and accrued liabilities	107,483	111,553
Income taxes	-	294
Current portion of long-term debt	748	656
	108,231	112,503
Long-term debt (note 8)	1,304	1,411
Non-controlling interest (note 9)	38	-
	109,573	113,914
Shareholders' equity		
Share capital (note 10)	60,179	59,658
Retained earnings	38,634	26,263
	98,813	85,921
	208,386	199,835

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board of Directors,



Claude Lessard
Director



Serge Gouin
Director

For the years ended September 30,
(in thousands of dollars)

	2002	2001
	\$	\$
Balance – Beginning of year	26,263	14,928
Net earnings for the year	12,371	11,335
Balance – End of year	38,634	26,263

For the years ended September 30,
(in thousands of dollars, except the number of shares and per share data)

	2002	2001
	\$	\$
Gross income (note 13a)	157,665	132,498
Operating expenses		
Salaries and employee benefits	90,987	79,393
General and administrative expenses (note 13a)	40,873	33,036
Depreciation of property, plant and equipment	2,460	1,125
Long-lived asset impairment (note 5)	2,431	-
Amortization of intangible assets	164	27
Amortization of deferred charges	103	-
Total operating expenses	137,018	113,581
Earnings from operations	20,647	18,917
Interest income, net (note 13a)	468	1,245
Foreign exchange loss	(29)	(66)
Share in a significantly-influenced company's earnings (note 13b)	235	67
Non-controlling interest (note 9)	(36)	-
Earnings before the following items	21,285	20,163
Income tax expense (notes 5 and 12)	8,606	8,503
Amortization of goodwill	12,679	11,660
Net earnings for the year	12,371	11,335
Basic earnings per share		
Earnings before amortization of goodwill	0.68	0.63
Net earnings	0.66	0.61
Diluted earnings per share		
Earnings before amortization of goodwill	0.67	0.62
Net earnings	0.65	0.60
Weighted average number of shares outstanding (note 14)		
Basic	18,780,763	18,605,435
Diluted	18,995,281	18,779,155

The accompanying notes are an integral part of the consolidated financial statements.

For the years ended September 30,
(in thousands of dollars)

	2002	2001
	\$	\$
Cash flows from operating activities		
Net earnings for the year	12,371	11,335
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	2,460	1,125
Long-lived asset impairment (note 5)	2,431	-
Amortization of intangible assets	164	27
Amortization of deferred charges	103	-
Amortization of goodwill	308	325
Loss on disposal of property, plant and equipment (note 13a)	361	-
Future income taxes	29	867
Share in a significantly-influenced company's earnings (note 13b)	(198)	(30)
Non-controlling interest	36	-
	18,065	13,649
Net change in non-cash working capital items (note 13b)	(6)	(3,014)
	18,059	10,635
Cash flows from financing activities		
Variation in bank advances		(10,087)
Long-term debt contracted		37
Payments on long-term debt	(668)	(672)
Issuance of shares	521	429
Non-controlling interest	2	-
	(145)	(10,293)
Cash flows from investing activities		
Additions to short-term investments	(6,955)	(29,554)
Proceeds from disposal of short-term investments	6,012	50,449
Purchase of property, plant and equipment	(3,806)	(6,452)
Acquisition of intangible assets	(76)	-
Deferred charges	(1,243)	-
Business combinations (note 3)	-	(5,009)
	(6,068)	9,434
Increase in cash and cash equivalents		
Cash and cash equivalents – Beginning of year	11,846	9,776
Cash and cash equivalents – End of year	24,079	2,457
Supplementary information (note 13b)		

The accompanying notes are an integral part of the consolidated financial statements.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

1 - INCORPORATION AND NATURE OF ACTIVITIES

The company, incorporated under Part 1A of the Companies Act (Quebec), and its subsidiaries offer a wide range of communication-marketing services, including advertising, sales promotion, direct marketing and database marketing, customer relationship management, public relations and sponsorship, corporate identity and graphic design, branding and brand strategy, strategic consulting, ethnic marketing, interactive technologies and research.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New accounting standards. In November 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued a standard for stock-based compensation and other stock-based payments (CICA 3870, Stock-Based Compensation and Other Stock-Based Payments), which is effective for fiscal years beginning on or after January 1, 2002. The new standard applies to awards granted on or after the date of adoption and, therefore, will not apply to modifications and settlements of awards granted before fiscal years beginning on or after January 1, 2002. The new standard requires that stock-based compensation plans offered to employees be accounted for using a fair value-based method of accounting. The CICA recommends that this method be applied without imposing it however. As regards the companies that decide not to apply this information, the pro-forma information on earnings shall be disclosed in a note to financial statements.

The new standard also requires enterprises to account for stock appreciation rights (SARs) and similar awards to be settled in cash by measuring, on an ongoing basis, the amount by which the quoted market price exceeds the option price at settlement date. SARs and similar awards to be settled by equity instruments are measured using the fair value-based method or in a manner similar to the accounting for SARs and similar awards settled in cash. The company will apply this new standard from October 1, 2002 and does not expect that it will have a material effect on its financial statements.

In November 2001, the CICA revised Section 1650 "Foreign Currency Translation", which is effective for fiscal years beginning on or after January 1, 2002. The revised standard no longer permits the deferral and amortization of unrealized exchange gains and losses that arise on the translation of long-term foreign currency denominated monetary assets and liabilities. Under the new rules, such gains and losses must be reported in earnings as they arise. Adopting this revised standard as at October 1, 2002 is not expected to have a significant impact on the company's financial statements.

On August 1, 2001, the CICA issued Section 1581 "Business Combinations" which supersedes section 1580, and issued Section 3062 "Goodwill and Other Intangible Assets". Section 1581 requires business combinations initiated after June 30, 2001 or business combinations accounted for by the purchase method with a date of acquisition after June 30, 2001 to be accounted for using the purchase method of accounting. This section also broadens criteria for recording intangible assets separately from goodwill.

Upon the adoption of Section 3062, recorded goodwill and intangible assets will be evaluated against those new criteria and may result in certain intangible assets being reclassified into goodwill, or alternatively, amounts initially recorded as goodwill being separately identified and recognized apart from goodwill as intangible assets. Section 3062 requires the use of a non-amortization approach to account for purchased goodwill and indefinite-lived intangibles. Under the non-amortization approach, goodwill and indefinite-lived intangibles will not be amortized, but instead would be reviewed for impairment and written down and charged to earnings only in the periods in which the recorded value of goodwill and indefinite-lived intangibles exceeds their fair value. Moreover, the company will implement a new goodwill impairment methodology and any potential initial impairment losses on goodwill determined by this methodology will be charged to retained earnings in the year of adoption.

Under the transitional provisions of Section 3062, the company did not amortize the goodwill resulting from the acquisition of Cossette Post Inc., which occurred on August 8, 2001. Furthermore, adopting this section as at October 1, 2002 will reduce the annual goodwill amortization by approximately \$308 in 2003.

September 30, 2002 and 2001

(In thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

Use of estimates. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include allowances for doubtful accounts receivable and direct costs billable to clients, the useful lives of property, plant and equipment, goodwill and intangible assets and certain accrued liabilities. Management believes its estimates to be appropriate; however, actual results could differ from those estimates.

Consolidation. These consolidated financial statements include the accounts of the company and all of its subsidiaries. All significant intercompany transactions and balances have been eliminated. Moreover, the investment in a significantly-influenced company has been accounted for using the equity method.

Foreign currency translation ~ Foreign subsidiaries ~ The company's subsidiaries are considered to be integrated foreign operations. As a result, the foreign subsidiaries' accounts are remeasured into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are remeasured at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are remeasured at the average rate for the year. Gains and losses resulting from remeasurement are reflected in the statement of earnings. ~ **Foreign currency transactions** ~ Transactions denominated in currencies other than Canadian dollars are translated into the functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average rate for the year. Non-monetary assets and liabilities are translated at historical rates. Gains and losses arising from such translation are reflected in the statement of earnings.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand and balances with banks as well as all highly liquid short-term investments with original maturities of three months or less. They are accounted for at their estimated fair value which approximates cost.

Short-term investments and deposit on a contract. Short-term investments and deposit on a contract are valued at the lower of cost and market value.

Direct costs billable to clients. Direct costs billable to clients consist principally of costs incurred in providing production services to clients. Such amounts are generally billed to clients at various times over the course of the production process.

Property, plant and equipment. Property, plant and equipment are recorded at cost and are depreciated using the following methods, rates and periods:

	Methods	Rates and periods
Furniture, fixtures and equipment	Declining balance	20%
Hardware	Declining balance	30%
Systems software	Straight-line	5 years
Leasehold improvements	Straight-line	The lesser of 10 years or the remaining lease term including renewal option

The carrying value of property, plant and equipment is evaluated whenever significant events occur which may indicate an impairment in value, based upon a comparison of the carrying value to the net recoverable amount. Any impairment in value is accounted for in earnings.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

Goodwill and intangible assets. Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of net identifiable assets acquired. Goodwill resulting from acquisitions completed prior to July 1, 2001 is amortized on a straight-line basis over an estimated useful life of twenty years.

The intangible assets associated with the company's business consist of the value of the company's acquired customer contracts and the related customer relationships. In the advertising industry, these are typically long-term in nature and the company's largest clients have on average been clients for more than nine years. These intangible assets are amortized using the straight-line method over an estimated useful life of ten years.

Goodwill and intangible assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the assets is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over the estimated pre-tax undiscounted future cash flows. Goodwill and intangible assets are written down for any permanent impairment in value of the unamortized portion. As at September 30, 2002, there are no events or circumstances indicating that the carrying value may not be recoverable.

Deferred charges. During the year, the company entered into an employment contract with a key employee, which provided for a lump sum payment in cash. This amount and the transaction related costs are presented as deferred charges and are being amortized over the period of the contract. Any unamortized balance relating to a terminated contract is written off to earnings in the year of termination. These deferred charges are presented in note 7.

Income taxes. The company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Revenue recognition. Substantially all revenue is derived from fees for services and for production of advertisements. Additionally, revenue is derived from commissions for placement of advertisements in various media. In addition, incentive amounts may be earned and recognized based on qualitative and/or quantitative criteria. Revenue is realized when the service is performed, in accordance with the terms of the contractual arrangement, and collection is reasonably assured. Clients are generally billed upon completion of the earnings process, including upon presentation date for media, when services are rendered, when costs are incurred for radio and television production and when print production is completed.

Earnings per share. Basic earnings per share are determined using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of common shares outstanding during the year, plus the effects of dilutive potential common shares outstanding during the year. This method requires that diluted earnings per share be calculated, using the treasury stock method, as if all potential common shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the company at the average fair value of the common shares during the year.

Share-based compensation plans. The company maintains various share-based compensation plans which are described in note 11. Under Canadian generally accepted accounting principles, no compensation expense is recognized with respect to the stock option plan. Any consideration received from plan participants upon the exercise of stock options or the purchase of shares is credited to share capital. If shares are repurchased from plan participants, the excess of the consideration paid over the carrying amount of the shares cancelled is charged to retained earnings.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

3 - ACQUISITION OF ASSETS AND BUSINESS COMBINATIONS

a) Acquisition of assets in 2002. On June 28, 2002, Cossette Post Inc. ("Post") acquired from another corporation a client contract. The acquisition cost is composed of: (i) a guaranteed consideration of US\$50 (CAN\$76); (ii) a conditional deferred payment of US\$50 (CAN\$76) payable sixty days after the date of acquisition provided that certain conditions are met; (iii) a cash payment to be determined based on the first twelve-month period gross income, payable twelve months after the date of acquisition and; (iv) a cash payment to be determined based on the next twelve-month period gross income.

The guaranteed cash consideration and the conditional deferred payment, payable as at September 30, 2002, have been recorded as intangible assets.

b) Business combinations – Specific points. The company has realized a number of business combinations during 2001 and in previous years. All of these business combinations have been accounted for using the purchase method. The net earnings of each of these acquired businesses have been included in the consolidated statements of earnings of the company from the respective dates of acquisition.

The fair value of subordinate voting shares issued as part of these business combinations was determined based on the market price of the shares over a reasonable period of time before and after the announcement date.

c) Business combination during 2001 ~ Post & Partners Inc. (renamed Cossette Post Inc.) ~ On August 8, 2001, the company acquired 100% of the outstanding share capital of Post, a communication-marketing firm providing design, advertising and marketing services in the United States. The acquisition cost was composed of a guaranteed consideration totalling US\$7,500 (CAN\$11,480) and of acquisition-related costs totalling \$450 and a future payment to be determined that will be based on the average annualized pre-tax earnings, as defined in the stock purchase agreement, for the period beginning August 1, 2001 and ending September 30, 2005. The future payment will be made as follows: 80% in cash and 20% in shares.

The guaranteed consideration and the acquisition-related costs were settled by means of a cash payment of US\$6,295 (CAN\$9,633) and the issuance of 152,129 subordinate voting shares for an amount of US\$1,500 (CAN\$2,297).

The purchase price, including acquisition-related costs, has been allocated based on the estimated fair value of net assets at the date of acquisition as follows:

	\$
Assets acquired	
Cash and cash equivalents	4,624
Other current assets	8,964
Property, plant and equipment	3,228
Intangible assets	1,600
Liabilities assumed	
Current liabilities	(15,860)
Deferred rent	(67)
Long-term debt	(889)
Net identifiable assets acquired	1,600
Goodwill	10,330
Purchase	11,930
Less: Subordinate voting shares issued	2,297
Cash	9,633

The fair value allocated to intangible assets acquired from Post is based upon the valuation performed by the company in conjunction with this acquisition.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

d) Future payments. Certain acquisitions completed during 2001 and in previous years require payments in future years contingent upon the future earnings of the acquired businesses.

The formulas used to determine these contingent future payments vary according to the individual acquisition. Such future payments will be capitalized and recorded as goodwill when the related conditions have been met.

4 - CREDIT FACILITIES

A moveable hypothec without delivery on accounts receivable has been given as security for a total authorized line of credit amounting to \$50,000, renewable annually. This line of credit bears interest at prime rate in 2002 and 2001. Furthermore, Post has an authorized line of credit of US\$500, bearing interest at US prime rate and renewable annually. A corporate guarantee has been issued in favor of the lender for this line of credit.

5 - PROPERTY, PLANT AND EQUIPMENT

	2002	2001
	\$	\$
Cost		
Furniture, fixtures and equipment	5,423	7,376
Hardware	2,011	2,481
Systems software	3,213	1,781
Leasehold improvements	7,019	3,450
Systems software in progress*	-	3,849
Leasehold improvements in progress	-	419
Office furniture held under a capital lease	653	-
	18,319	19,356
Accumulated depreciation		
Furniture, fixtures and equipment	3,359	4,634
Hardware	1,182	1,183
Systems software	1,189	916
Leasehold improvements	1,349	601
Office furniture held under a capital lease	11	-
	7,090	7,334
Net amount	11,229	12,022

* During the year, the company performed an extensive review of its information systems and systems software in progress. Pursuant to the review, the company concluded that a system software development project should be discontinued as it no longer met the company's future requirements in terms of systems software. The company decided not to pursue the completion of that software and consequently recognized an impairment in value of \$2,431 equal to the net carrying value of this asset.

The recognition of this impairment in value had the effect of decreasing the income tax expense by \$938 for fiscal year 2002.

6 - INVESTMENTS IN A SIGNIFICANTLY-INFLUENCED COMPANY

	2002	2001
	\$	\$
Debenture, convertible at the holder's option into 111,111 common shares after November 11, 2001, bearing interest at 5%, compounded and payable in half-yearly instalments	750	750
Investment, equity method	2,418	2,346
	3,168	3,096

The excess of purchase price over the estimated fair value of net assets on the investment date amounts to \$2,521. The annual amortization of that amount is \$127 and its unamortized portion is \$2,251 as at September 30, 2002. The debenture has not been converted as at November 20, 2002. Upon conversion, the company will not hold more than 50% of the issued share capital.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

7 - GOODWILL, INTANGIBLE ASSETS AND DEFERRED CHARGES

	2002	2001
	\$	\$
Cost		
Goodwill	13,962	13,962
Intangible assets (notes 3a and 13c)	1,752	1,600
Deferred charges	1,243	-
	16,957	15,562
Accumulated amortization		
Goodwill	509	327
Intangible assets	191	27
Deferred charges	103	-
	803	354
Net amount	16,154	15,208

8 - LONG-TERM DEBT

	2002	2001
	\$	\$
Balance of purchase price for shares of subsidiaries, non-interest bearing, payable cash in annual instalments of \$171 in May 2002 and 2003	171	341
Note payable for which moveable hypothecs on systems software have been given as security, 6.9%, payable in monthly instalments of \$13 including principal and interest, maturing in 2005	408	550
Term promissory note for which all the Post's assets have been given as security, payable in monthly principal instalments of US\$19 (CAN\$29) plus interest, at prime rate, maturing in February 2005	832	1,176
Obligation under a leasing agreement for office furniture, 7.96%, payable in monthly instalments of \$12, including principal and interest, maturing in September 2007	641	-
	2,052	2,067
Less: Current portion	748	656
	1,304	1,411

As at September 30, 2002, minimum principal repayments required in each of the next five years are \$748 in 2003, \$585 in 2004, \$377 in 2005, \$117 in 2006 and \$225 in 2007.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

The minimum annual instalments required over the next five years under the capital lease obligation maturing in 2007 are as follows:

	\$
Years ending September 30, 2003	140
2004	140
2005	140
2006	140
2007	238
	798
Less: Interest	157
	641
Less: Current portion	92
	549

9 - NON-CONTROLLING INTEREST

During fiscal year 2002, the company completed a reorganization of certain of its activities following which a new subsidiary was created. The company holds 80% of the subsidiary's common shares and all of its Class B shares.

10 - SHARE CAPITAL

Authorized

Unlimited number of shares, without par value, of the following classes:

Subordinate voting and participating, entitling to one vote each

Multiple voting and participating, entitling to ten votes each, convertible at the holder's option into a subordinate voting share

Preferred non-voting, preferred dividend, issuable in one or more series, the right being given to the directors to determine the number, designation and attributes of the shares

The following table summarizes the share capital activity since September 30, 2000:

Preferred non-voting shares

None issued and outstanding as at September 30, 2002 and 2001

Multiple voting shares

	Number	\$
Balance as at September 30, 2000	12,959,877	1,579
Conversion into subordinate voting shares	(81,798)	(10)
Balance as at September 30, 2001	12,878,079	1,569
Conversion into subordinate voting shares	(3,384,151)	(412)
Balance as at September 30, 2002	9,493,928	1,157

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

Subordinate voting shares

	Number	\$
Balance as at September 30, 2000	5,598,666	55,033
Conversion of multiple voting shares into subordinate voting shares	81,798	10
In consideration of the payment on the balance of purchase price included		
in long-term debt (note 8)	21,870	320
In consideration of the acquisition of Post (note 3)	152,129	2,297
Under the stock option plan	34,950	429
Balance as at September 30, 2001	5,889,413	58,089
Conversion of multiple voting shares into subordinate voting shares	3,384,151	412
Issuance of shares	1	-
Under the stock option plan	42,550	521
Balance as at September 30, 2002	9,316,115	59,022

11 - SHARE-BASED COMPENSATION PLANS

Stock option plan. Under the company's stock option plan, directors, executive officers, employees and consultants of the company and its subsidiaries may be granted stock options in respect of the company's subordinate voting shares up to 1,802,627 subordinate voting shares. The exercise price of an option shall not be less than the market price of the company's subordinate voting shares on the date of grant and an option's maximum term is ten years.

Options granted vest at 25% per annum during the period commencing one year after the date of grant, except for 22,500 options (21,250 options in 2001) granted to directors, which vest in whole after the period commencing one year after the date of grant, and 707,000 options (508,000 options in 2001) granted to employees which vest in whole after the period commencing four years after the date of grant.

On September 17, 2002, the company, after having obtained appropriate regulatory approvals, amended its stock option plan to create exchange options whereby the company may offer from time to time to option holders the right to exchange their in-the-money vested options for a cash payment equal to the difference between the quoted market value of the company's shares and the subscription price. On the same date, the company made an offer under that new provision of its stock option plan. As a result of this offer, 104,475 options were exchanged and an amount of \$349 was included in accounts payable and accrued liabilities in the balance sheet and in salaries and employee benefits in the statement of earnings.

As at September 30, 2002, the company has granted no options in consideration of cash settlement or any other payment in kind.

The following table summarizes the stock option activity since September 30, 2000:

	2002	2001
	Weighted average Number	Weighted average Number
	exercise price	exercise price
Balance – Beginning of year	1,224,525	930,000
Granted	719,500	395,000
Exercised	(42,550)	(34,950)
Forfeited	(218,300)	(65,525)
Exchanged	(104,475)	-
Balance – End of year	1,578,700	1,224,525
Options exercisable at year-end	367,525	12.65
		13.48
		13.48
		12.29
		16.06
		12.26
		12.87
		-
		-

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

The following table summarizes information about stock options as at September 30, 2002:

Exercise price	Options outstanding as at September 30, 2002		Options exercisable as at September 30, 2002	
	Number	Weighted average remaining contractual life / years	Number	Weighted average remaining contractual life / years
\$12.00	4,000	4.1	-	-
\$12.25	655,700	4.5	269,275	1.7
\$12.30	372,250	4.5	56,875	4.4
\$14.20	5,000	2.9	5,000	2.9
\$14.35	2,500	3.9	2,500	3.9
\$15.00	107,500	6.4	-	-
\$15.10	2,500	3.4	2,500	3.4
\$15.25	30,000	6.9	-	-
\$15.60	70,000	6.6	-	-
\$16.15	329,250	5.4	31,375	5.4
	1,578,700	4.9	367,525	2.5

Employee share purchase plan. The company has established a share purchase plan for its employees. Under this plan, employees may purchase shares of the company by means of payroll deductions up to 4% of their base salary. The company's contributions under the plan are equal to the employee contributions up to a maximum of 2% of their base salary. The employee and company's contributions are used to purchase subordinate voting shares of the company on the open market. The company's contributions under the plan for the years ended September 30, 2002 and 2001 amount to \$484 and \$435, respectively.

Share acquisition right plan. Founder shareholders of the company accepted to offer for sale to certain designated employees subordinate voting shares that they hold in the company's share capital.

The company established, jointly with a Canadian chartered bank, a financing mechanism for the purchase of those shares under which the employee borrows directly from the banking institution and pledges the shares acquired as security.

The company facilitates the financing of share purchases by assuring the employees who contracted loans under this plan that the interest rate for the first five years of the loan will not exceed two percent (2%). During the years ended September 30, 2002 and 2001, the interest paid to those employees in this regard and included in the company's expenses is \$140 and \$240, respectively.

In accordance with agreements entered into with the Canadian chartered bank, should employees who purchased shares under this plan cease to be employees of the company, the latter could be required to reimburse a portion of the loans contracted by these employees in the event of a decline in the quoted market value of shares acquired by the said employees and their incapacity to fulfil their obligations regarding the contracted loans. The balance of loans contracted by the employees who participated in the share acquisition right plan amounts to \$8,063 and \$6,126 as at September 30, 2002 and 2001, respectively. As at September 30, 2002 and 2001, the quoted market value of the shares acquired by employees under this plan and the financing activities set up by the company is \$10,454 and \$6,345, respectively.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

12 - INCOME TAX EXPENSE

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Canadian provinces concerned, to the income tax expense per the financial statements is as follows:

	2002	2001
	\$	\$
Income taxes at the combined statutory tax rate of the federal government and the provinces concerned (38.1% in 2002 and 40.3% in 2001)	8,101	7,980
Increase due to:		
Non-deductible expenses	384	423
General allowance for bad debts	141	-
Higher rate on interest income	-	100
Difference between the combined federal and provincial statutory tax rate and foreign subsidiaries statutory tax rates	(60)	-
Other	40	-
	8,606	8,503
Income taxes consist of:		
Current	8,577	7,636
Future	29	867
	8,606	8,503
Future income tax assets as at September 30 are detailed as follows:		
	2002	2001
	\$	\$
Share issue expenses	483	881
Property, plant and equipment	460	-
Subsidiaries' operating losses carried forward	-	91
	943	972
Current future income tax assets	727	-
Long-term future income tax assets	216	972
	943	972

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

13 - ADDITIONAL DISCLOSURES

a) Statements of earnings

	2002	2001
	\$	\$
Billings	746,829	600,760
Direct expenses	589,164	468,262
Gross income	157,665	132,498

Gross income from the 10 largest clients represents approximately 63% in 2002 and 67% in 2001 of the company's total gross income.

Interest income, net includes the following items:

	2002	2001
	\$	\$
Interest income	602	1,331
Interest on bank advances	(39)	(51)
Interest on long-term debt	(95)	(35)
	468	1,245
Loss on disposal of property, plant and equipment	361	-

b) Statements of cash flows

	2002	2001
	\$	\$
Share in a significantly-influenced company's earnings		
Earnings	198	30
Interest on convertible debenture	37	37
	235	67
Net change in non-cash working capital items		
Accounts receivable	1,786	(14,172)
Direct costs billable to clients	3,191	(145)
Deposit on a contract	35	-
Prepaid expenses	84	(468)
Accounts payable and accrued liabilities	(4,146)	11,284
Income taxes	(956)	487
	(6)	(3,014)
Supplementary information		
Interest received	620	1,372
Interest paid	134	135
Income taxes paid	9,682	7,361

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

c) Financing and investing activities not affecting cash and cash equivalents

	2002	2001
	\$	\$
Conversion of 3,384,151 multiple voting shares into 3,384,151 subordinate voting shares (81,798 in 2001) (note 10)	412	10
Issuance of 21,870 subordinate voting shares in 2001 in consideration of the payment on the balance of purchase price included in long-term debt (note 10)	-	320
Issuance of 152,129 subordinate voting shares in 2001 in consideration of the acquisition of Post (note 3c)	-	2,297

During the year, property, plant and equipment in the amount of \$653 were acquired under a capital lease. Consequently, no cash payments were made to purchase these property, plant and equipment.

The deferred payment related to the acquisition of assets in 2002 in the amount of US\$50 (CAN\$76) (see note 3a) was paid after the company's year-end.

d) Related party transactions

	2002	2001
	\$	\$
Significantly-influenced company		
Direct expenses	92	964
Interest income	37	37
Rent and miscellaneous revenues	424	134
Companies controlled by the principal shareholders of the company		
Rental expenses	-	182

These transactions are in the normal course of operations and are measured at the exchange amount.

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

14 - EARNINGS PER SHARE

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding used in the diluted earnings per share calculations:

	2002	2001
Basic weighted average number of shares outstanding	18,780,763	18 605,435
Stock option activities	214,518	173,720
Diluted weighted average number of shares outstanding	18,995,281	18,779,155

15 - COMMITMENTS AND CONTINGENCIES

The company has entered into long-term office space lease agreements expiring at various dates until 2012 which call for lease payments aggregating \$37,001. Minimum lease payments for each of the next five years are \$5,228 in 2003, \$5,240 in 2004, \$5,414 in 2005, \$5,171 in 2006 and \$3,173 in 2007.

Furthermore, the company has entered into long-term hardware lease agreements expiring at various dates until 2005 which call for lease payments aggregating \$4,343.

On May 1, 2002, a company's subsidiary, Cossette Communication Inc. ("CCI"), entered into a shareholders' agreement. Pursuant to this agreement, as of May 1, 2007, CCI will have to acquire the totality of the shares held by the minority shareholder at a price equivalent to the market value determined by an independent third party.

The company is involved in various types of legal and administrative proceedings. Although any litigation contains an element of uncertainty, the management believes that the outcome of such proceedings or claims will not have a material adverse effect on the company.

16 - FINANCIAL INSTRUMENTS

Short-term investments as at September 30:

	2002	2001
	\$	\$
Discount notes, bearing interest at annual rates from 2.75% to 3.15%, (from 4.34% to 4.49% in 2001), maturing at the latest on March 6, 2003 (December 7, 2001 in 2001)	6,955	6,012

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

Fair value. Cash and cash equivalents, short-term investments, accounts receivable, deposit on a contract, accounts payable and accrued liabilities and long-debt are financial instruments whose fair values approximate their carrying value except for the non-interest-bearing loans totalling \$171 and \$341 as at September 30, 2002 and 2001, respectively. The fair value of these loans amounts to \$165 and \$317 as at September 30, 2002 and 2001, respectively.

Credit risk. Financial instruments which potentially subject the company to credit risk consist principally of cash and cash equivalents, short-term investments, accounts receivable and deposit on a contract. The company's short-term investments and deposit on a contract consist of debt instruments issued by high-credit quality financial institutions and corporations and units of a low-risk mutual fund. The company's cash and cash equivalents are held with or issued by high-credit quality financial institutions; therefore the company considers the risk of non-performance on these instruments to be remote.

Due to the North American distribution of the company's customers, there is no particular concentration of credit risk. Generally, the company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended to customers following an evaluation of creditworthiness. In addition, the company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible.

Interest rate risk

Cash and cash equivalents	Variable interest rates
Short-term investments	As described above
Accounts receivable	Non-interest bearing
Deposit on a contract	3.22%
Credit facilities	Prime rate and US prime rate
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 8

September 30, 2002 and 2001

(in thousands of dollars, except the number of shares, options and per share data and unless otherwise stated)

17 - SEGMENTED INFORMATION

Management has organized the company under one operating segment.

Property, plant and equipment, goodwill and intangible assets and revenue by geographic region are detailed as follows:

	United States	Canada	Total
	(US\$)	(CAN\$)	(CAN\$)
2002			
Gross income	10,947	17,241	157,665
Property, plant and equipment, goodwill and intangible assets	9,467	14,487	26,243
2001			
Gross income	2,341	3,638	132,498
Property, plant and equipment, goodwill and intangible assets	9,868	15,104	27,230

Revenue is allocated to geographic regions based on where the services are performed. Property, plant and equipment are allocated based upon physical location. Goodwill and intangible assets are allocated based on the location of the related operation.

18 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation.

BOARD OF DIRECTORS**Claude Lessard**

Chairman of the Board and CEO
Cossette Communication Group Inc.

François Duffar

Vice-Chairman of the Board and President
Cossette Communication Group Inc.

Robert G. Beauregard

President
The Beauregard Group, Inc. (TBGI)

Serge Gouin

Vice-Chairman of the Board
Salomon Smith Barney Canada Inc.

Brian M. Levitt

Co-chair
Osler, Hoskin & Harcourt LLP

David D. McKerroll, CA

Group CEO
Structured Finance
CIT Group Inc.

Peter Post

President and CEO
Cossette Post

EXECUTIVE OFFICERS**Claude Lessard**

Chairman of the Board and CEO

François Duffar

Vice-Chairman of the Board and President

Dominic Caruso

Executive Vice-President
President, Cossette Toronto

Pierre Delagrange

President
Media, Research and Interactive Services

William Durnan

President
Nucleus Strategic Core Properties

Richard Hadden

President
Cossette West

Jacques Labelle

Senior Vice-President

Louis F. Larivière

Senior Partner

Georges E. Morin

Senior Vice-President, Corporate Development

William Murphy

President
Cossette Atlantic

Loring Phinney

Senior Vice-President
Optimum Public Relations

Peter Post

President and CEO
Cossette Post

Jean Royer, CFA, CMA

Vice-President and Chief Financial Officer

Suzanne Sauvage

President
Cossette Montréal

Colin Schleining

Executive Vice-President and General Manager
Cossette West

Ian Saville

Senior Partner, Corporate Development

Jean-Luc Viard-Gaudin

Senior Vice-President
Graphème Branding and Design

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ANNUAL MEETING

The Annual General Meeting for Shareholders will be held on Wednesday, February 26, 2003 at 10:30 a.m. at Ex-Centris Cinema, Fellini Room
3536 Saint-Laurent Blvd
Montréal, Quebec.

INVESTOR RELATIONS

Jean Royer
Vice-President and
Chief Financial Officer
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STOCK EXCHANGE LISTING

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